

UNITED STATES DISTRICT COURT
DISTRICT OF MASSACHUSETTS

**SECURITIES AND EXCHANGE
COMMISSION,**

Plaintiff,

v.

**ROGER KNOX, WINTERCAP S.A.,
MICHAEL T. GASTAUER, WB21 US
INC., SILVERTON SA INC., WB21 NA
INC., C CAPITAL CORP.,
WINTERCAP SA INC. AND B2 CAP
INC.**

Defendants.

**RAIMUND GASTAUER, SIMONE
GASTAUER FOEHR, B21 LTD.,
SHAMAL INTERNATIONAL FZE,
AND WB21 DMCC**

Relief Defendants.

Civil Action No. 1:18-CV-12058-RGS

DECLARATION OF TREVOR T. DONELAN

I, Trevor T. Donelan, pursuant to 28 U.S.C. § 1746, hereby declare as follows:

1. Since September 2014, I have been employed as an Enforcement Accountant with the U.S. Securities and Exchange Commission (“the Commission”) in its Boston Regional Office. My duties include conducting investigations relating to potential violations of the federal securities laws.

2. I received a Bachelor of Science degree in business administration, with a concentration in accounting, from the University of Richmond in Virginia in 2000. Before joining the Commission, I was most recently a managing director in the forensic accounting and complex business litigation unit at StoneTurn Group, LLP (“StoneTurn”), in Boston, where I worked for over seven years. Before joining StoneTurn, I held forensic accounting

and auditor positions for a total of approximately seven years with Deloitte Financial Advisory Services LLP, and Arthur Andersen LLP, both in Boston.

3. I am a Certified Public Accountant in the Commonwealth of Massachusetts, and a Certified Fraud Examiner by the Association of Certified Fraud Examiners. I am also Certified in Financial Forensics by the American Institute of Certified Public Accountants.

4. I make this Declaration based upon my personal knowledge and upon information and belief as set forth below, and in support of the Commission's Motion for Default Judgments Against Defendants WB21 US Inc., Silverton SA, Inc., WB21 NA Inc., C Capital Corp., Wintercap SA Inc., and B2 Cap Inc. (collectively the "Entity Defendants").

5. On or about February 9, 2017, I became actively involved in the Commission's investigation into possible violations of the federal securities laws by Roger John Irvine Knox ("Knox"), Wintercap SA (f.k.a. Silverton SA from at least June 2015 and through approximately February 2018, referred to as "Wintercap SA" in this declaration), and other affiliated businesses. Based on bank and brokerage records, Wintercap SA purports to be an asset manager, based in Finhaut, Switzerland. Knox is the sole director and owner of Wintercap SA.

6. In the course of that investigation, I reviewed documents and data produced to the Commission and attended witness interviews and testimony. The purpose of this declaration is to relay certain information that the Commission has gathered about the defendants through interviews and testimony of certain witnesses and the review and analysis of certain documents.

7. The principal sources of documentation produced to the Commission that I have relied upon for this declaration include, but are not limited to:

- a. Transfer agent records for certain public company issuers held by and/or traded by Wintercap SA.
- b. Trading data collected by the Commission for certain public company issuers held by and/or traded by Wintercap SA (referred to as “Blue Sheet Data”).
- c. Brokerage records for Wintercap SA accounts held at domestic and foreign broker-dealers including the following (collectively, the “Wintercap Brokerage Accounts”):
 - i. Wedbush Securities, Inc. (United States),
 - ii. Forte Securities, LLC (United States),
 - iii. Lombard Forte Securities, Ltd. (United Arab Emirates),
 - iv. Prometheus Capital Finance, Ltd. (United Arab Emirates),
 - v. Tendall Capital Markets, Ltd. (Malta),
 - vi. Forte Securities, Ltd. (United Kingdom),
 - vii. Valbury Capital, Ltd. (United Kingdom),
 - viii. Linear Investments, Ltd. (United Kingdom),
 - ix. ADM Investor Services, Ltd. (United Kingdom),
 - x. Interactive Brokers UK, Ltd. (United Kingdom),
 - xi. Peter Pesic & Co. Securities, Inc. (Mauritius), and
 - xii. Haywood Securities, Inc. (Canada).
- d. Banking records for Wintercap SA accounts held at the following foreign banks (collectively, the “Wintercap SA Foreign Bank Accounts”):
 - i. Baltikums Bank AS (Latvia),

- ii. AfrAsia Bank Limited (Mauritius),
 - iii. MauBank, Ltd. (Mauritius), and,
 - iv. Bank of Montreal (Canada).
- e. Banking records for U.S. bank accounts controlled by Michael T. Gastauer (Gastauer). Since late 2015, Gastauer incorporated, or caused a member of his family to incorporate, the following U.S. corporations. Gastauer also established bank accounts for each company and he, or his family members, were the sole signatories on those accounts (collectively, the “Entity Defendants’ Accounts”):

Gastauer Corporations	Control Person	Bank Accounts
Silverton SA, Inc. Incorporated August 2016	Michael Gastauer	Citibank Wells Fargo JP Morgan Chase
WB21 US, Inc. Incorporated October 2015	Michael Gastauer	Citibank Wells Fargo JP Morgan Chase
WB21 NA, Inc. Incorporated August 2016	Michael Gastauer	JP Morgan Chase Savings Bank of Walpole TD Bank Bank of America
C Capital Corp. Incorporated November 2016	Michael Gastauer	Citibank JP Morgan Chase
Wintercap SA, Inc. Incorporated April 2018	Phillip Gastauer	Citibank TD Bank
B2 Cap, Inc. Incorporated April 2018	Phillip Gastauer	Citibank TD Bank

- f. Brokerage records for individuals that purchased stock of certain issuers during the time that Wintercap SA was selling.
- g. Publicly available market data including, but not limited to, information related to stock price and trading volume sourced from Dow Jones Factiva.

Wintercap SA Cash Flow

8. Wintercap SA maintains omnibus brokerage accounts in its own name around the world including the Wintercap SA Brokerage Accounts listed above as well as other foreign accounts for which the Commission has not yet obtained records.

9. Based on my review of records from the Wintercap SA Brokerage Accounts, Wintercap SA rarely buys securities in its omnibus accounts. Since at least late 2015, Wintercap SA frequently deposits large blocks of microcap securities into those omnibus accounts, and subsequently sells those securities principally into the U.S. markets. Wintercap SA then transfers the cash generated from these sales to the Wintercap SA Foreign Bank Accounts or the Entity Defendants' Accounts.

10. Between October 2015 and the date of this declaration, I have traced approximately \$158.8 million of cash proceeds from the Wintercap SA Brokerage Accounts to the Wintercap SA Foreign Bank Accounts or the Entity Defendants' Accounts as summarized in Exhibits A and B to this declaration.

11. Of the \$158.8 million of cash generated by trading in Wintercap SA's Brokerage Accounts, approximately \$46.5 million was deposited directly into the Wintercap SA Foreign Bank Accounts and the remaining \$112.3 million was deposited directly into the Entity Defendants' Accounts for the benefit of Wintercap SA.

12. Based on my review of the bank records for the Entity Defendants' Accounts, I have determined that those accounts received the vast majority of the proceeds of Wintercap SA's trading in the Wintercap SA Brokerage Accounts since September 2016.

Entity Defendants' Cash Flow Summary

13. Counsel for the Commission asked me to summarize the cash flow in the Entity Defendants' U.S. bank accounts and to quantify the amount of money each Entity Defendant received directly or indirectly from the Wintercap SA brokerage accounts. The following paragraphs are the results of that summary.

Silverton SA, Inc. Cash Flow

14. Gastauer opened bank accounts for Silverton SA Inc. with Citibank on September 14, 2016, Wells Fargo on September 14, 2016, and JP Morgan Chase on September 19, 2016. Silverton SA Inc.'s Citibank account received at least \$90,026,365 from Wintercap SA brokerage accounts between September 30, 2016 and December 20, 2017. That Citibank account also received a total of \$5,300,480 in transfers from other bank accounts owned by Wintercap SA, located in Latvia and Mauritius.

15. Silverton SA Inc.'s Wells Fargo account received at least \$17,225,739 from Wintercap SA brokerage accounts between September 27, 2016 and May 21, 2018. That Wells Fargo account also received a total of \$2,571,045 in transfers from other bank accounts owned by Wintercap SA, located in Latvia and Mauritius.

16. Silverton SA Inc.'s JP Morgan Chase account received at least \$1,465,290 in transfers from other bank accounts in the names of C Capital Corp., WB21 US Inc., and WB21 NA Inc.

17. Thus, the total proceeds controlled by Silverton SA Inc. are at least \$116,588,918 representing the inflows from the Wintercap SA brokerage accounts (\$107,252,103) plus transfers from Wintercap SA bank accounts (\$7,871,525), plus transfers from C Capital Corp., WB21 US Inc., and WB21 NA Inc. (\$1,465,290).

Wintercap SA, Inc. Cash Flow

18. Gastauer caused his relative to open bank accounts for Wintercap SA Inc. with Citibank on May 11, 2018 and TD Bank on May 10, 2018. Wintercap SA Inc.'s TD Bank account received at least \$2,808,900 from Wintercap SA Brokerage Accounts between May 29, 2018 and July 11, 2018. Transfers from the Wintercap SA, Inc. TD Bank account to Wintercap SA, Inc.'s account at Citibank between May 29, 2018 and June 26, 2018 totaled \$1,500,000.

19. Thus, the total proceeds controlled by Wintercap SA, Inc. are at least \$2,808,900 representing the inflows from the Wintercap SA brokerage accounts.

WB21 US, Inc. Cash Flow

20. Gastauer opened bank accounts for WB21 US Inc. with Citibank on September 15, 2016, Wells Fargo on or before December 9, 2015, and two accounts at JP Morgan Chase on April 19, 2016. WB21 US Inc.'s Wells Fargo account received a total of \$2,243,850 from Wintercap SA Brokerage Accounts between July 31, 2017 and December 21, 2017. This Wells Fargo account also received a total of \$9,827,519 in funds that were transferred from other bank accounts owned by Wintercap SA in Latvia and Mauritius (\$1,240,000), and bank accounts owned by Silverton SA Inc. and WB21 NA Inc. (\$8,587,519).

21. WB21 US Inc.'s Citibank account did not receive proceeds from Wintercap SA brokerage accounts, however the account received a total of \$105,561,135 in transfers from other bank accounts owned by Wintercap SA in Latvia and Mauritius (\$7,044,832), and bank accounts owned by Silverton SA Inc. in the United States (\$98,516,303).

22. WB21 US Inc.'s two JP Morgan Chase accounts received \$8,041,000 in transfers from bank accounts owned by Silverton SA, Inc.

23. Thus, the total proceeds controlled by WB21 US, Inc. are at least \$125,673,503 representing the inflows from the Wintercap SA Brokerage Bccounts (\$2,243,850) plus transfers from Silverton SA, Inc. and WB21 NA, Inc. bank accounts (\$123,429,653).

WB21 NA, Inc. Cash Flow

24. Gastauer opened bank accounts for WB21 NA Inc. with Bank of America, JP Morgan Chase, Savings Bank of Walpole, TD Bank and Wells Fargo between September 1, 2016 and January 11, 2018. None of these accounts received transfers directly from Wintercap SA's Brokerage Accounts. However, several of these accounts received transfers from bank accounts owned by Silverton SA Inc., WB21 US Inc., or C Capital Corp that had received direct or indirect proceeds from Wintercap SA's trading. Together, WB21 NA Inc.'s eight United States accounts received a total of \$12,344,945 in transfers from Silverton SA Inc., WB21 US Inc., or C Capital Corp. *See* Exhibit A at 5-6.

25. Thus, the total proceeds controlled by WB21 NA, Inc. are at least \$12,344,945 representing the inflows from Silverton SA Inc., WB21 US Inc., or C Capital Corp.

C Capital Corp Cash Flow

26. Gastauer opened bank accounts for C Capital Corp. with Citibank and JP Morgan Chase in December 2016. None of these three accounts received transfers directly from Wintercap SA's Brokerage Accounts. However, several of these accounts received transfers from bank accounts owned by Silverton SA Inc., WB21 US Inc., and WB21 NA

Inc. that had received direct or indirect proceeds from Wintercap SA's trading. Together, C Capital Corp.'s three United States accounts received a total of \$15,332,672 in transfers from Silverton SA Inc., WB21 US Inc., or WB21 NA, Inc.

27. Thus, the total proceeds controlled by C Capital Corp are at least \$15,332,672 representing the inflows from Silverton SA Inc., WB21 US Inc., or WB21 NA, Inc.

B2 Cap, Inc. Cash Flow

28. Gastauer caused his relative to open a bank account for B2 Cap Inc. with Citibank on May 29, 2018. This account received \$1,496,728 in transfers from another Citibank account owned by Wintercap SA Inc., which had received proceeds Wintercap SA Brokerage Accounts via a transfer from Wintercap SA Inc.'s TD Bank account.

29. Thus, the total proceeds controlled by B2 Cap, Inc. are at least \$1,496,728 representing the inflows from Wintercap, SA, Inc.

30. Counsel for the Commission asked me to calculate prejudgment interest for each of the Entity Defendants above using the total proceeds controlled by each Entity Defendant above as a disgorgement amount and running interest from the date of the last known incoming transfer in any of the Entity Defendants' accounts as the beginning period and September 30, 2018 as the ending period. The last known incoming transfer is based solely on the bank records currently in the Commission's possession, so it is possible that the Entity Defendants have received more recent transfers, which could increase the disgorgement amount. In calculating interest, I used the same method that the Internal Revenue Service uses to calculate tax over-payments and under-payments. Tables

supporting my prejudgment interest calculations for each Entity Defendant are attached as Exhibit G.

Entity Defendant	Disgorgement Amount	Date of Last Transfer	Prejudgment Interest	Disgorgement + Prejudgment Interest
Silverton SA, Inc.	\$ 116,588,918	5/21/2018	\$ 1,954,511	\$ 118,543,429
Wintercap SA, Inc.	\$ 2,808,900	7/11/2018	23,472	\$ 2,832,372
WB21 US, Inc.	\$ 125,673,503	7/9/2018	1,050,148	\$ 126,723,651
WB21 NA, Inc.	\$ 12,344,945	5/9/2018	206,952	\$ 12,551,897
C Capital Corp	\$ 15,332,672	3/30/2018	386,776	\$ 15,719,448
B2 Cap, Inc.	\$ 1,496,728	7/6/2018	12,507	\$ 1,509,235

Trading Records Review

31. Counsel for the Commission asked me to summarize publicly available trading data, specifically closing stock price and daily market volume, and compare that data to the timing of Wintercap SA sales for two issuers: Environmental Packaging Technologies Holdings, Inc. (EPTI) and Garmatex Holdings, Ltd. (GRMX). I downloaded the publicly available trading data from Dow Jones Factiva on November 21, 2018 and I used the brokerage records obtained related to the Wintercap SA Brokerage Accounts. Environmental Packaging Technologies Holdings, Inc. (“Environmental Packaging”)

32. The average daily trading volume of Environmental Packaging’s stock during May 1, 2017, through June 9, 2017 (a Friday), was less than 23,000 shares per day, and on most days during that period of time, Environmental Packaging’s stock did not trade at all in the public securities markets.

33. On or about June 12, 2017, which I believe to be the first day of a paid promotional campaign, approximately 424,956 shares of Environmental Packaging traded in the public securities markets. That day, Wintercap SA sold approximately 114,000 shares of Environmental Packaging stock into the public securities markets to investors.

34. On or about June 13, 2017, approximately 226,263 shares of Environmental Packaging traded in the public securities markets. That day, Wintercap SA sold approximately 66,000 shares of Environmental Packaging stock into the public securities markets to investors. And, between approximately June 14 and 27, 2017, Wintercap SA sold approximately 567,000 additional shares of Environmental Packaging stock into the public securities markets.

35. Wintercap SA's sales of Environmental Packaging stock in June 2017 generated approximately \$1.3 million in trading proceeds.

36. On the chart that is attached as Exhibit C, I have represented both the daily closing market price of Environmental Packaging stock (the blue line) and the total daily number of shares of Environmental Packaging stock traded in the market (red columns). This data is sourced from publicly available databases which I downloaded from Dow Jones Factiva. Also shown in this chart is the daily number of Environmental Packaging shares sold by Wintercap (green columns). This data is derived from brokerage records for the Wintercap SA Brokerage Accounts. During the time period of Wintercap SA's selling, Control Group A had orchestrated a promotional campaign designed to increase the price and trading volume of Environmental Packaging stock. *See* Complaint, 49.

37. On the chart attached as Exhibit D, I have represented the daily closing market price of Environmental Packaging stock from May 1, 2017 to November 20, 2018. This data is sourced from publicly available databases which I downloaded from Dow Jones Factiva.

Garmatex Holdings, Ltd. (“Garmatex”)

38. On or about February 28 and March 16, 2017, one or more persons transferred a total of 5,250,000 shares of Garmatex stock to offshore entities. One or more persons divided the transfers into three equal parts, transferring 1,750,000 to each of three separate offshore entities.

39. On or about the same days, one or more persons caused the offshore entities referenced in Paragraph 38 above to transfer 5,250,000 shares of Garmatex stock to Wintercap SA.

40. By approximately March 31, 2017, Wintercap SA sold all of the stock referenced in Paragraph 39, above.

41. In or about April 2017, one or more persons transferred 1,983,337 additional shares of Garmatex to Wintercap SA, all of which Wintercap SA subsequently sold in or about April and May 2017.

42. Wintercap SA’s sale of Garmatex stock between March and May 2017 generated over \$5 million in proceeds.

43. On the chart that is attached as Exhibit E, I have represented both the daily closing market price of Garmatex stock (the blue line) and the total daily number of shares of Garmatex stock traded in the market (red columns). This data is sourced from publicly available databases which I downloaded from Dow Jones Factiva. Also shown in this chart is the daily number of Garmatex shares sold by Wintercap SA (green columns). This data is derived from brokerage records for the Wintercap SA Brokerage Accounts. During the time period of Wintercap SA’s selling, Garmatex Affiliates had orchestrated a promotional

campaign designed to increase the price and trading volume of Garmatex stock. *See* Complaint, 83.

44. On the chart attached as Exhibit F, I have represented the daily closing market price of Garmatex stock from February 1, 2017 to November 20, 2018. This data is sourced from publicly available databases which I downloaded from Dow Jones Factiva. In February 2018, Garmatex changed its name to Evolution Blockchain Group, Inc. and the company executed a 1-for-100 reverse split reducing the number of shares outstanding. The chart in Exhibit F removes the impact of the reverse split.

Investor Losses

45. Counsel for the Commission asked me to review trading data collected by the Commission (“Blue Sheet Data”) and to identify individual investors who purchased shares of Environmental Packaging and Garmatex during the duration of Wintercap SA’s selling activity and who had more purchases than sales of the stock during the time period. At the direction of Commission counsel, I also identified individuals from Massachusetts that bought shares of the issuers during this time period. A summary of my findings is set forth below:

Environmental Packaging

46. Trading records from the Wintercap SA Brokerage Accounts show Wintercap SA sold Environmental Packaging stock between June 9, 2017 and June 27, 2017. Based on Blue Sheet Data, I identified approximately 78 brokerage accounts in the name of individual account holders who purchased at least 500 more shares of Environmental Packaging stock than they sold during this time period. In total, these

accounts spent over \$1.0 million in net trading cost to acquire approximately 596,000 shares of Environmental Packaging.

47. I also identified nine brokerage accounts with account holders based in Massachusetts that purchased more than 500 shares of Environmental Packaging stock than they sold during this time period, spending approximately \$25,000 to acquire 18,050 shares of Environmental Packaging stock during this time period.

Garmatex

48. Trading records from the Wintercap SA Brokerage Accounts show Wintercap SA sold Garmatex stock between March 14, 2017 and May 2, 2017. Based on Blue Sheet Data, I identified approximately 218 brokerage accounts in the name of individual account holders who purchased at least 5,000 more shares of Garmatex stock than they sold during this time period. In total, these accounts spent approximately \$6.4 million in net trading cost to acquire approximately 8.5 million shares of Garmatex during this time period.

49. I reviewed the brokerage records for the largest purchaser of Garmatex shares during this time period. This individual, a resident of South Carolina, purchased 3,000,000 shares of Garmatex using two accounts at Fidelity Brokerage Services during March 2017, spending \$2,095,700.35. I participated in an interview of this investor who explained that he was a victim of an aggressive cold call promotional campaign. I reviewed phone records obtained from the boiler room phone service which corroborated the witness' statements.

50. Using the Blue Sheet Data, I also identified 25 brokerage accounts with account holders based in Massachusetts that purchased more than 1,000 shares of Garmatex

stock than they sold during this time period, spending approximately \$182,000 to acquire 275,274 shares of Garmatex stock.

51. I declare under penalty of perjury under the laws of the United States of America that the foregoing is true and correct.

Executed on December 3, 2018, in Boston, Massachusetts.


Trevor T. Donelan